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STATISTICAL BULLETIN

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Statistical Reference Index
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Highlights

- CONSUMER DEMAND IS SLUGGISH: HOME BUYING IS DOWN, CAR SALES ARE FLAT AND CONSUMERS TAKE ON A WAIT-AND-SEE ATTITUDE
- NEW ORDERS CONTINUE TO BOLSTER PRODUCTION
- BUT INVENTORY BUILD-UP IS WORRISOME
- EXPORT GROWTH REMAINS THE ECONOMY'S BRIGHT SPOT
- OUTLOOK * ECONOMIC GROWTH SLOWING SHARPLY IN THE FIRST HALF OF 1988 BUT NO RECESSION

Volume 21, No. 2, February, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Now in its sixth year, the U.S. economic expansion appears to be losing momentum. The slow down is most visible in home and car buying, where sales are weak. And, the growth in consumer spending on other items is falling off. In contrast, production schedules have been relatively bullish in response to a high ordering rate and a pickup in exports.

The run-up in inventory may be signalling production excesses. That, plus a drop in business executives confidence, suggests that planned production levels may be trimmed. This is consistent with indications that employers are scaling down their hiring plans.

Some earlier concerns about the post-crash economy appear to have receded—for example, the threat of more inflation. In a slower paced economy, fears of overheating would appear less warranted. There would also be less concern about developing labor market shortages leading to higher wage hikes. Notwithstanding the slower growth scenario, the positive aspects of the economy (including higher new orders and rising exports) still appear to outweigh the negatives, ruling out recession in the first half of 1988.

DOMESTIC MARKET MONITOR

Labor market signals are mixed right now. Job growth in January was high enough to offset a strong rise in total labor force participation. But, four negative factors stand out: The labor force participation of adult white men has been flat in recent months; one-third of the new jobs in January were part-time work; unemployment claims have risen; and help-wanted advertising has begun to decline.

Even though employment gains were better than anticipated in January, expectations of a weakening labor market remain unchanged. The Conference Board's **Help-wanted Index** fell to 155 (1967 = 100) in December, from 162 in November. Early returns to the January survey suggest that this measure of labor demand is on a downward trend. Finally, the median of the Economic Forecasts shows that the national unemployment rate will gradually rise to about 6.2% by mid-year.

Currently, the weak areas in employment are concentrated in the most cyclically sensitive sectors. Jobs in the motor vehicle industry were 1.4% lower in January than in November; jobs in "other" durable manufacturing were 2.1% lower; and construction jobs were level. Moreover, in January, total hours worked in manufacturing and construction were lower than in November.

INCOME: Through December, strong income gains resulted largely from higher employment and hourly pay hikes. Wages in commodity-producing industry and in the "other" industry category were 1.8% higher in December than three months earlier. Wage income growth continued in January, albeit at a moderating pace. The average hourly pay rate in private industry was $9.14 in January, two cents above November's rate, and there was a modest overall rise in hours worked.

Nonwage income growth has been stronger than the rise in wage income. Despite some declines in interest rates, interest income was 3.1% higher in December than three months earlier. Rents, dividends and shopkeepers' income have also been rising at a moderate clip.

Consumer borrowing remains sluggish. The net rise in auto and revolving loans was a little higher in December than it had been in the prior two months. That gain in net borrowing resulted in a rise in the ratio of **Consumer Installment Debt Expansion to Personal Income** in December, reversing the declining trend underway since mid-1987. But auto sales were soft in January, suggesting a decline in auto loans; and consumer indebtedness most likely resumed its downward trend.

Consumer attitudes remain in a holding pattern. The Conference Board's **Consumer Confidence Index** reached a high of 115.1 (1985 = 100) in October. This series has bounced around in the post-crash period. At 110 in January, the overall index suggests that some erosion in attitudes has taken place. This is consistent with data on consumer unwillingness to take on debt.

SPENDING: The long-lived expansion of consumer demand appears stalled. Retail sales, except autos, were only 0.2% higher in January than in December. Durable sales, except cars, were 0.8% higher, but nondurable sales were flat. The only strength in consumer buying at present is in nonretail spending. Moreover, consumer confidence appears to be wavering and could become depressed by bad news on the labor front. Wage income growth may begin to falter.

New domestic **Automobile Sales** remain disappointing. The sales pace in January was marginally lower than December's lackluster performance. In fact, motor vehicle employment has already been scaled back; and auto makers seem resigned to further production cuts. New promotional campaigns probably would not spur sales and, therefore, are not in the offing.

CONSTRUCTION: To date, the drop in mortgage rates has simply kept home sales from declining further. New single-family home sales were lower in December, 1987 than at any time over the last two years. In fact, sales in December were one-third lower than in April, 1986. The prospects of some drop in consumer confidence, and slower growth in wage income, suggest that the prolonged slump in housing has yet to run its course.

New single-unit housing starts and permits for new construction continued to fall in December. The same was true

Ken Goldstein, Editor

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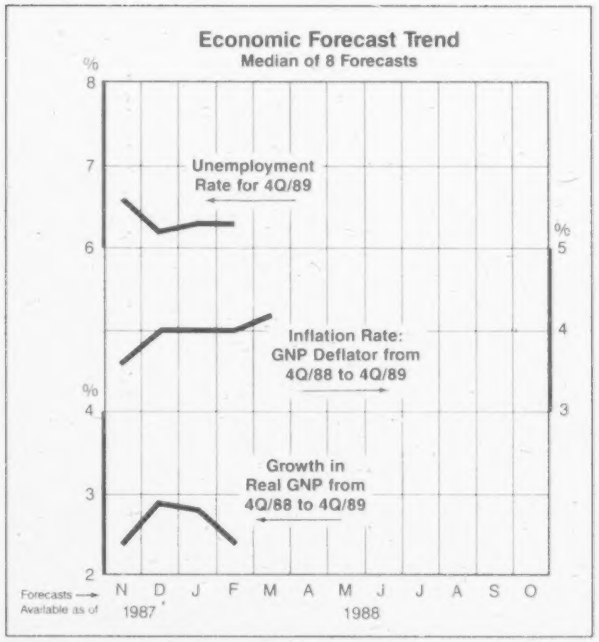


for multi-unit dwellings. The drop in construction jobs in January suggest no change in trend.

Some nonresidential construction began to recover late in 1987. For example, office building was 4.1% higher in December than three months earlier. Commercial building was flat and industrial building was still declining, however. Public building was also declining but work on roads and other infrastructure was up sharply. The modest gains in nonresidential construction through December, coupled with declines in construction jobs in January, reflect the severity of inertia in the housing market.

PRODUCTION: The news here is checkered. On the plus side, total output was 1.8% higher in December than three months earlier: raw material output was 2.3% higher; semi-finished goods were up 1.8 percent. It is interesting to note that finished consumer goods were 1.6% higher, despite signs of weakening demand. On the negative side, the drop in manufacturing employment and in hours worked in January, especially in durable goods industries, suggests the start of a down trend.

The key to the production outlook will lie in the performance of new orders. Total orders for durable goods, except defense related, were 6.5% higher in December than three months earlier. The strength in orders remains centered in the primary-processing stage: orders for primary metals were 13.5% higher, while orders for finished machinery were up by only 0.8 percent.

INVENTORY: The paradox here is inventory buildup despite the rise in new orders. Total inventory, except cars at the retail level, was 2.4% higher in November than three months earlier. Total durable inventory, except cars, was 2.6% higher. And poor sales are resulting in more unsold cars. Overall, inventory is rising faster than sales, causing Inventory-to-Sales ratios to inch higher. The fact that a little more production is winding up on the shelf than anticipated may be a factor in production cutbacks.

INFLATION: The consensus of the **Economic Forecasts** is that the CPI is rising by about a 2.8% annual rate in the first quarter of 1988 and will quicken to about a 4% to 4.5% rate by the fourth quarter of 1988.

The data on new orders reflect a strong demand for raw materials but commodity price levels remain depressed. The index for raw industrial prices fell 0.3% in December, following a 0.7% decline in November.

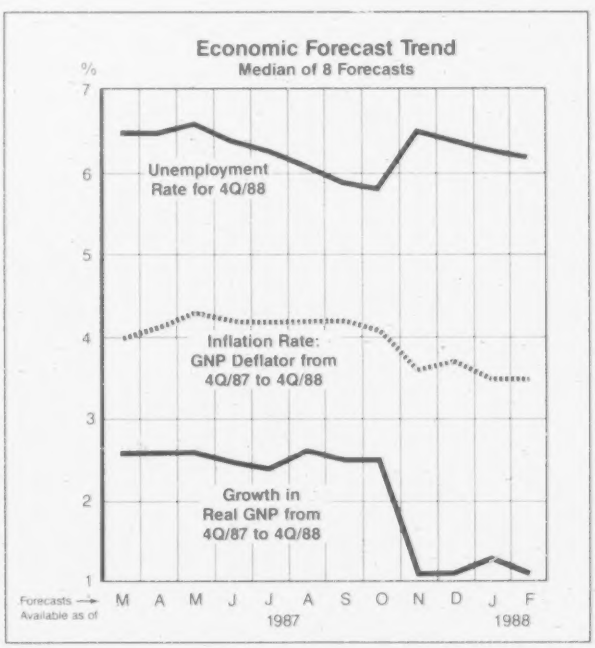
Nor are prices rising at the wholesale level. Prices of wholesale goods fell 0.4% in December, after being flat in November. Prices of materials, except food and energy, fell 2.1%, after no change in November.

INTERNATIONAL MONITOR

The rise in imports remains quite strong. Total imports were 5.5% higher in December than three months earlier. But imports of manufactured goods were 8.1% higher, largely due to rising shipments of aircraft and motor vehicles.

The sharp increase in exports is a little deceiving. Total exports were 18% higher in December than three months earlier. But exports of manufactured goods rose by half that rate. Nevertheless, higher export shipments were widely diffused throughout the developed world, and to many of the developing economies.

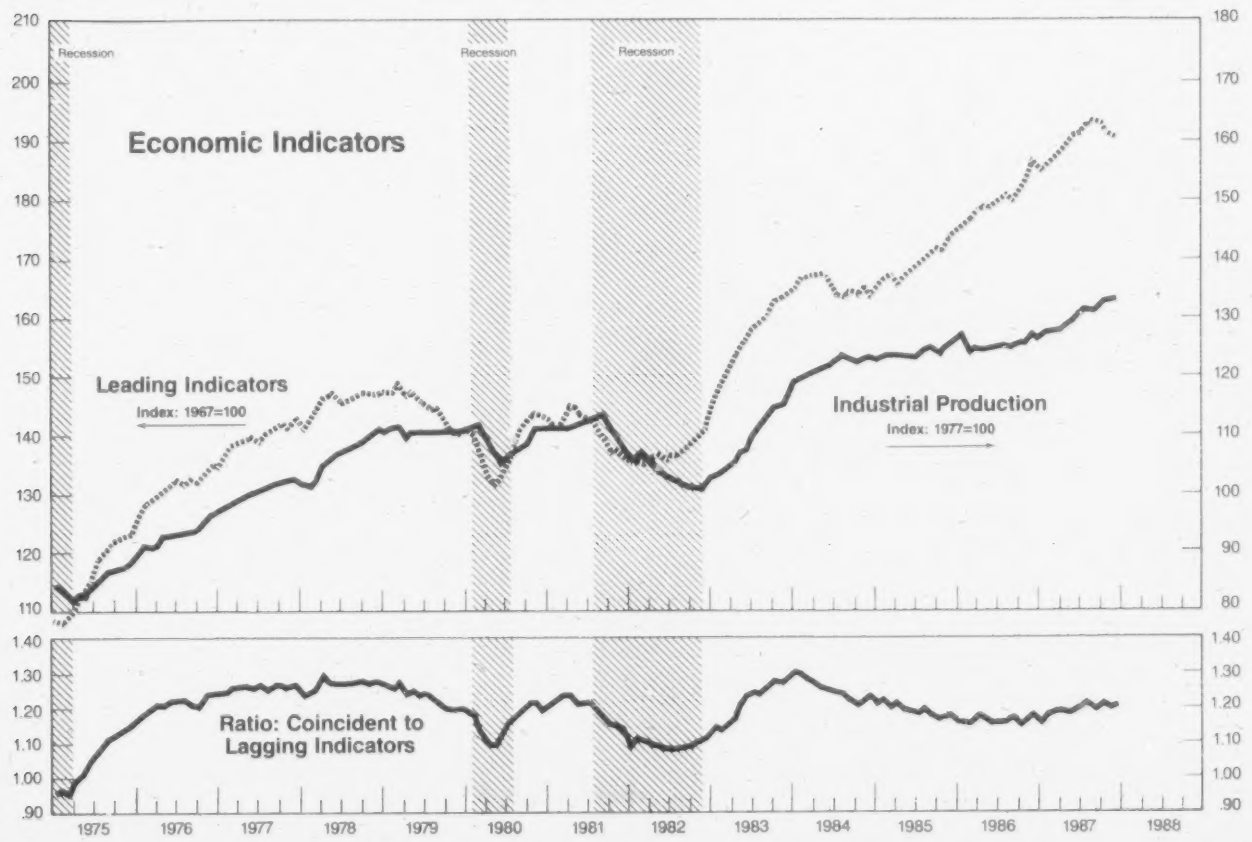
Ken Goldstein
February 10, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.			X	– 1.4%	2.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.	X			9.1%	12.0%
New orders, nondefense capital goods (deflated)	Dec.	X			10.8%	14.5%
*New business formation	Dec.	X			1.5%	2.2%
*Housing permits	Dec.			X	– 9.4%	–26.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.		X		2.6%	3.2%
*Change in inventory, on hand & order (deflated)	Nov.	X			8.3%	47.0%
Purchasing agents' buying policy	Jan.			X	– 4.0%	3.0%
*Vendor performance, reported slower deliveries	Dec.		X		2.0%	15.0%
Industrial raw materials prices	Jan.		X		– 0.6%	15.8%
*Change in sensitive material prices	Dec.		X		0.2%	0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.		X		– 0.1%	– 1.0%
Change in business loans	Dec.	X			71.7%	– 8.4%
*Change in credit outstanding	Nov.			X	1.5%	2.1%
Change in consumer installment debt	Nov.			X	–33.4%	–17.3%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			5.2%	6.1%
*Common stock prices	Jan.			X	–11.1%	– 5.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.			X	– 0.5hr	– 0.7hr
*Initial unemployment claims (inverted)	Jan.			X	–23.2%	2.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.

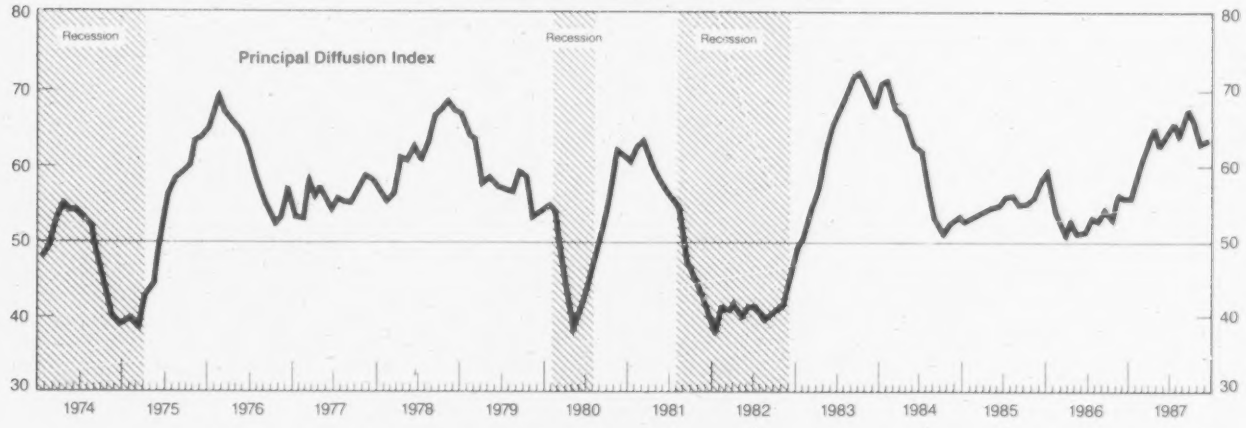


CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Dec.	1987 Sept.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	56.9	67.2r	66.0r	62.3r	63.3
Auxillary Diffusion Index	51.6	54.2r	46.0r	38.0r	53.2
Industrial Group	55.0	66.2r	67.1r	63.9r	63.7
Nonindustrial Group	58.8	68.2	64.9	60.7r	62.9
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	70.1	69.7	69.2r	74.4
Labor	55.9	62.9r	65.8r	63.7r	57.6
Miscellaneous	43.6	68.6	66.7	56.4	62.8
Nonindustrial Subgroups					
Prices	71.8	81.4	76.3	63.5	59.6
Consumer	65.0	75.6	70.1	64.5	69.2
Building	37.8	54.5	46.8	46.8	46.8
Miscellaneous	58.1	61.1	64.1	64.3r	69.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Feb.	May	Aug.	Nov.	1986 Feb.	May	Aug.	Nov.	1987 Feb.	May	Aug.	Nov.
	Score (scale 0-100)											
Measure of Business Confidence	61	52	51	55	61	61	50	51	55	55	59	47
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	45	53	63	61	44	50	56	55	62	50
2. Expectations for Economy, Six Months Ahead	61	53	53	56	62	62	52	51	54	53	56	43
3. Expectations for Own Industry, Six Months Ahead	61	55	54	56	59	60	54	53	56	56	58	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

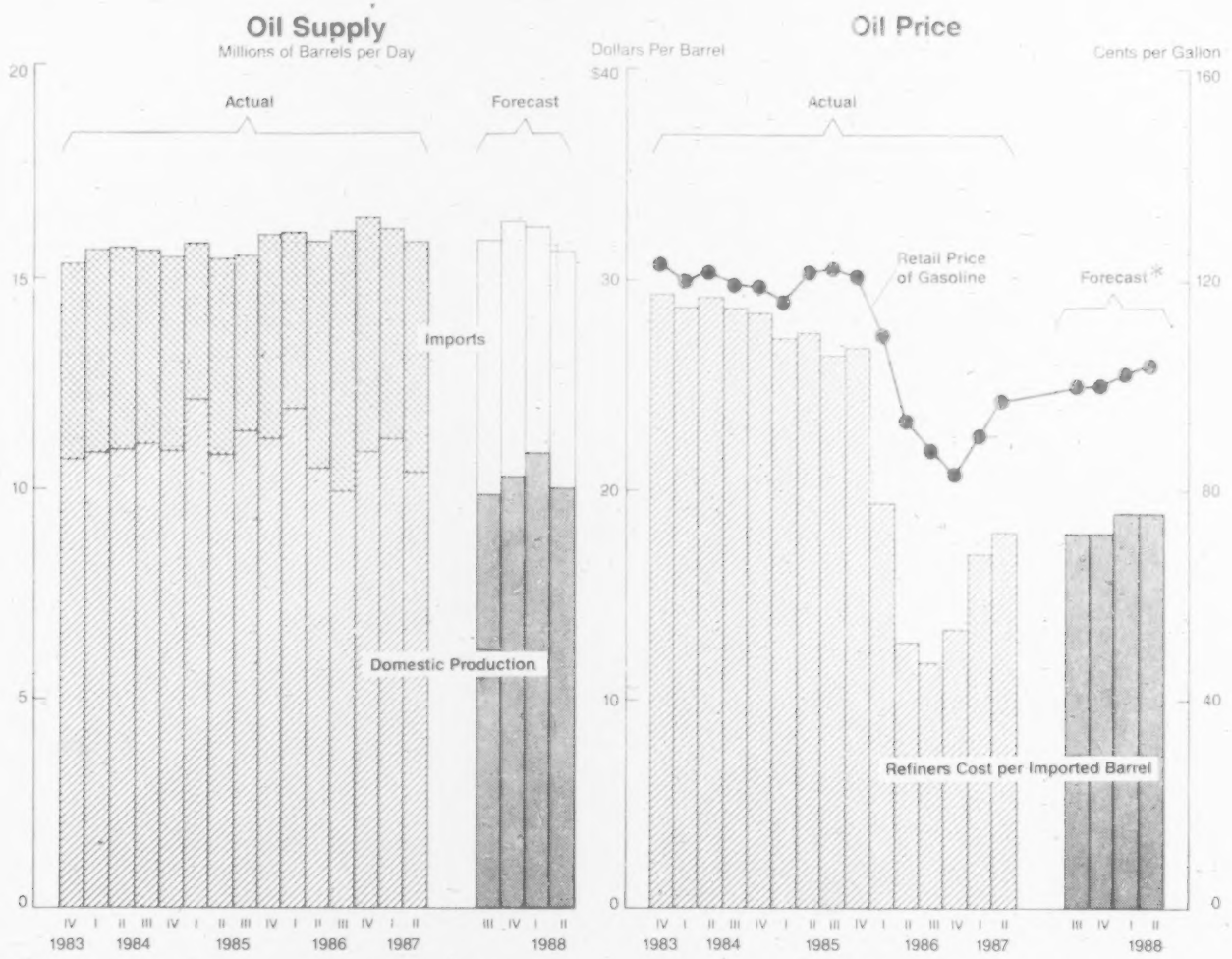
Billions of Dollars, Seasonally Adjusted

	1986				1987		
	I	II	III	IV	I	IIIr	IIIp
1000 LARGEST MANUFACTURING FIRMS							
New appropriations	23.386	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	23.566	24.309	22.452	23.299	20.801	20.933	25.817
Change in appropriations backlog*	–2.368	–6.447	–5.060	–10.993	– 0.550	+ 5.460	+ 2.770
Durable Goods							
New appropriations	11.613	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.479	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	–1.582	–3.824	–3.986	–4.140	– 2.070	+ 2.310	+ 1.930
Nondurable Goods							
New appropriations	11.773	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.087	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	– 0.786	– 2.623	– 1.074	– 6.853	+ 1.520	+ 3.160	+ 0.844
ELECTRIC & GAS UTILITIES							
New appropriations	9.554	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	8.096	7.702	7.535	8.080	7.649	7.059	
Change in appropriations backlog*	+ 1.470	– 3.840	– 2.110	– 1.005	– 0.870	– 1.700	

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

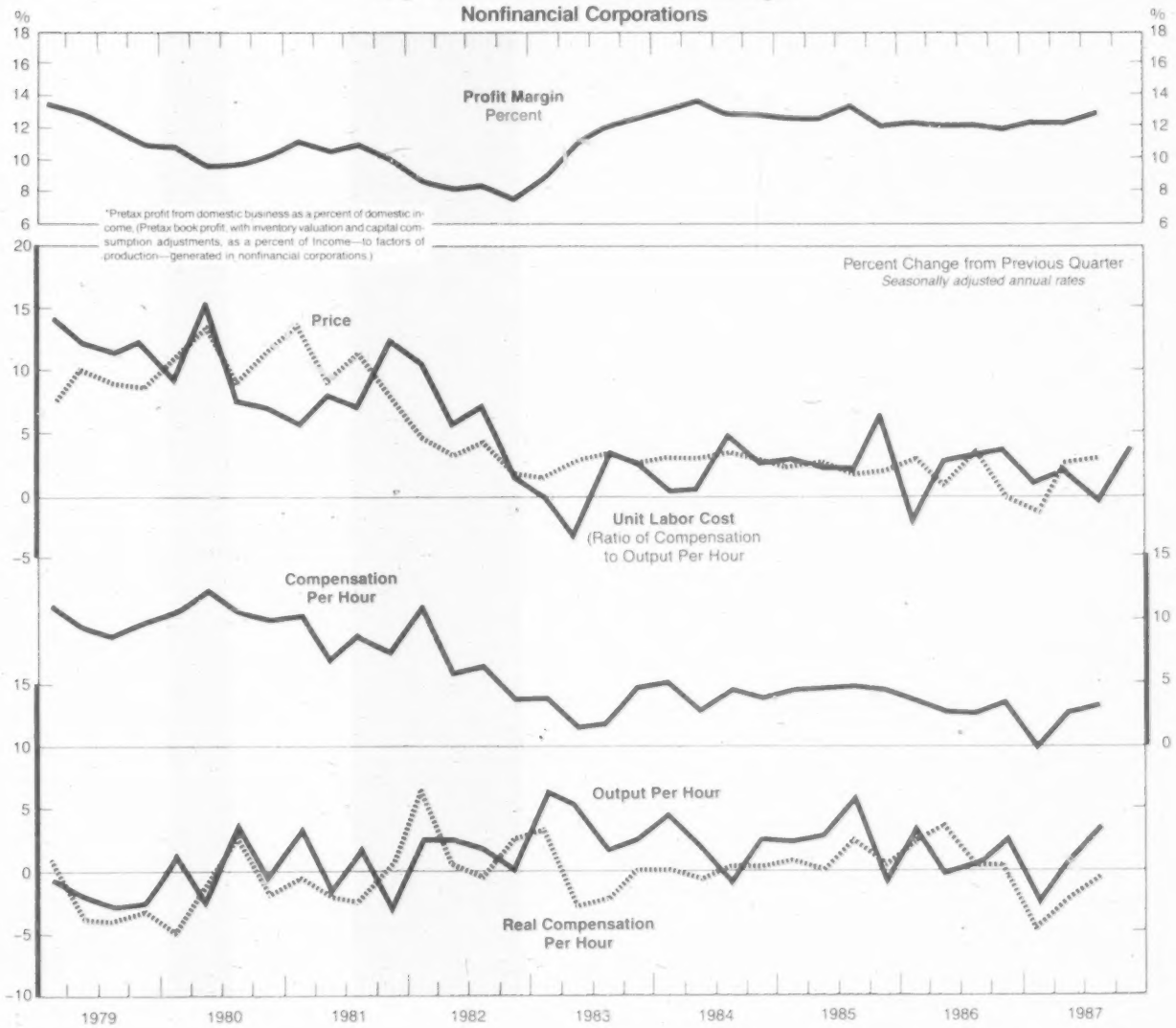
r—revised p—preliminary

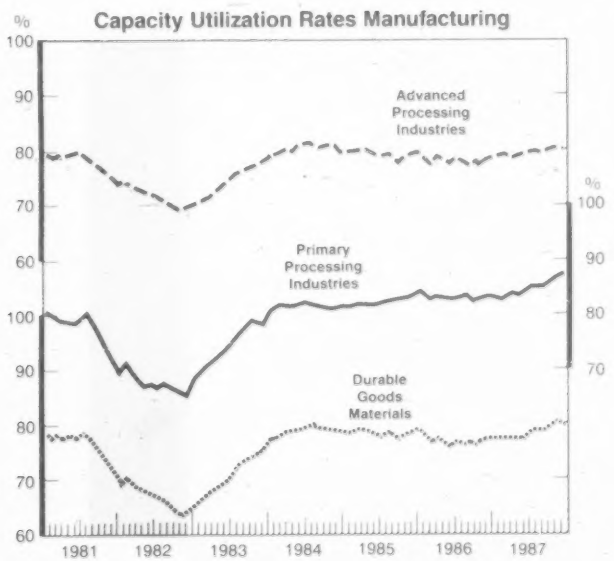
* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments)



* Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Jan., 1988*		*Dec., 1987*		*Jan., 1988*		*Jan., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**IV**	**$4598.0**	**6.7%**			**$4598.0**	**6.7%**	**$4598.0**	**6.7%**
Forecast	1988	I	4545.2	-4.5	4638.2	3.1	4650.6	4.7	4626.3	2.5
		II	4532.6	-1.1	4700.2	5.5	4703.5	4.6	4677.8	4.5
		III	4581.0	4.3	4775.4	6.6	4751.5	4.1	4752.8	6.6
		IV	4645.8	5.8	4857.4	7.0	4804.0	4.5	4820.3	5.8
	1989	I	4745.5	8.9	4951.2	8.0	4912.5	9.3	4896.0	6.4
		II	4856.6	9.7	5009.5	4.8	4997.3	7.1	4951.6	4.6
		III	4980.3	10.6	5059.0	4.0	5080.4	6.8	5015.4	5.3
		IV	5103.1	10.2	5067.1	8.8	5193.4	9.2	5103.0	7.2
	1990	I	5184.8	6.6						
Actual	**1987**	**Annual**	**4486.2**	**5.9**	**4487.4**	**6.0**	**4486.2**	**5.9**	**4486.2**	**5.9**
	1988	Annual	4576.2	2.0	4742.8	5.7	4727.4	5.4	4719.3	5.2
	1989	Annual	4921.4	7.5	5046.7	6.4	5045.9	6.7	4991.5	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3875.1**	**4.2%**			**$3875.1**	**4.2%**	**$3875.1**	**4.2%**
Forecast	1988	I	3803.8	-7.2	3858.9	-0.8	3882.0	0.7	3869.9	-0.5
		II	3767.2	-3.8	3869.5	1.1	3884.0	0.2	3880.8	1.1
		III	3778.4	1.2	3886.4	1.8	3888.0	0.4	3906.1	2.6
		IV	3801.8	2.5	3905.3	2.0	3893.0	0.5	3927.2	2.2
	1989	I	3851.3	5.3	3925.4	2.1	3930.0	3.9	3948.1	2.1
		II	3907.6	6.0	3918.4	-0.7	3963.0	3.4	3946.5	-0.2
		III	3971.9	6.7	3903.3	-1.5	3994.0	3.2	3953.8	0.7
		IV	4035.0	6.5	3933.0	3.1	4029.0	3.6	3988.2	3.5
	1990	I	4099.6	6.6						
Actual	**1987**	**Annual**	**3819.6**	**2.9**	**3817.5**	**2.8**	**3819.6**	**2.9**	**3819.6**	**2.9**
	1988	Annual	3787.8	-0.8	3880.0	1.6	3886.8	1.8	3896.0	2.0
	1989	Annual	3941.5	4.1	3920.0	1.0	3979.0	2.4	3959.2	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**IV**	**118.7**	**2.5%**		**%**	**118.7**	**2.5%**	**118.7**	**2.5%**
Forecast	1987	I	119.5	2.8	120.2	3.9	119.8	3.9	119.5	3.0
		II	120.3	2.8	121.5	4.3	121.1	4.4	120.5	3.4
		III	121.2	3.1	122.9	4.7	122.2	3.7	121.7	3.8
		IV	122.2	3.2	124.4	5.0	123.4	4.0	122.7	3.5
	1989	I	123.2	3.4	126.1	5.8	125.0	5.3	124.0	4.2
		II	124.3	3.5	127.8	5.5	126.1	3.6	125.5	4.8
		III	125.4	3.6	129.6	5.6	127.2	3.5	126.9	4.5
		IV	126.5	3.5	131.4	5.6	128.9	5.5	128.0	3.5
	1990	I	126.5	0.0						
Actual	**1987**	**Annual**	**117.4**	**3.0**	**117.5**	**3.1**	**117.4**	**3.0**	**117.4**	**3.0**
	1988	Annual	120.8	2.9	122.2	4.0	121.6	3.6	121.1	3.1
	1989	Annual	124.8	3.3	128.7	5.3	126.8	4.3	126.1	4.1
Unemployment Rate										
Actual	**1987**	**IV**		**5.9%**		**5.9%**		**5.9%**		**5.9%**
Forecast	1988	I		6.3		6.2		6.0		5.8
		II		6.7		6.2		6.2		5.8
		III		7.3		6.2		6.2		5.9
		IV		7.5		6.2		6.4		5.9
	1989	I		7.4		6.1		6.4		5.9
		II		7.3		6.3		6.3		6.0
		III		6.8		6.4		6.3		6.1
		IV		6.4		6.3		6.2		6.1
	1990	I		6.3						
Actual	**1987**	**Annual**		**6.2**		**6.2**		**6.2**		**6.2**
	1988	Annual		7.0		6.2		6.2		5.9
	1989	Annual		7.0		6.3		6.3		6.0

[1]Based on preliminary fourth quarter data.
[2]Based on revised (2nd revised) third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]		Date of Forecast		
Jan., 1988		Jan., 1988		Jan., 1988		Jan., 1988				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$4598.0	**6.7%**	**$4598.0**	**6.7%**	**$4598.0**	**6.7%**	**$4598.0**	**6.7%**	**IV**	**1987**	**Actual**
4648.0	4.4	4626.1	2.5	4633.6	3.1	4643.6	4.0	I	1988	Forecast
4697.0	4.3	4678.3	4.6	4674.2	3.6	4713.1	6.1	II		
4730.0	2.8	4762.5	7.4	4730.2	4.9	4789.4	6.6	III		
4792.0	5.3	4832.5	6.0	4801.0	6.1	4864.4	6.4	IV		
4861.0	5.9	4915.5	7.0	4900.2	8.5	4950.2	7.2	I	1989	
4920.0	4.9	4998.6	6.9	4994.6	7.9	5021.8	5.9	II		
4988.0	5.6	5088.6	7.4	5088.9	7.8	5093.1	5.8	III		
5077.0	7.3	5170.3	6.6	5189.2	8.1	5162.7	5.6	IV		
				5288.6	7.9	5236.3	5.8	I	1990	
4486.2	**5.9**	**4486.2**	**5.9**	**4486.2**	**5.9**	**4486.2**	**5.9**	**Annual**	**1987**	**Actual**
4716.8	5.1	4724.9	5.3	4709.8	5.0	4752.6	5.9	Annual	1988	
4961.5	5.2	5043.3	6.7	5043.2	7.1	5057.0	6.4	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3875.1	**4.2%**	**$3875.1**	**4.2%**	**$3875.1**	**4.2%**	**$3875.1**	**4.2%**	**IV**	**1987**	**Actual**
3889.5	1.5	3868.7	-0.7	3879.4	0.4	3872.7	-0.2	I	1988	Forecast
3901.2	1.2	3883.6	1.5	3882.0	0.3	3896.6	2.5	II		
3896.2	-0.5	3923.8	4.2	3895.3	1.4	3920.2	2.4	III		
3915.0	1.9	3948.7	2.6	3922.5	2.8	3947.1	2.8	IV		
3936.0	2.2	3976.1	2.8	3965.2	4.4	3978.8	3.3	I	1989	
3948.6	1.3	4005.5	3.0	4003.7	3.9	3995.7	1.7	II		
3965.0	1.7	4035.9	3.1	4038.1	3.5	4008.1	1.2	III		
3994.5	3.0	4059.4	2.3	4076.8	3.9	4019.1	1.1	IV		
				4104.6	2.8	4032.7	1.4	I	1990	
3819.6	**2.9**	**3819.6**	**2.9**	**3819.6**	**2.9**	**3819.6**	**2.9**	**Annual**	**1987**	**Actual**
3900.5	2.1	3906.2	2.3	3894.8	2.0	3909.2	2.3	Annual	1988	
3961.0	1.6	4019.2	2.9	4021.0	3.2	4000.4	2.3	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
118.7	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**IV**	**1987**	**Actual**
119.5	2.9	119.6	3.1	119.4	2.7	119.9	4.3	I	1988	Forecast
120.4	3.0	120.5	3.0	120.4	3.3	121.0	3.5	II		
121.4	3.4	121.4	3.1	121.4	3.5	122.2	4.1	III		
122.4	3.3	122.4	3.4	122.4	3.2	123.2	3.5	IV		
123.5	3.6	123.6	4.1	123.6	3.9	124.4	3.9	I	1989	
124.6	3.6	124.8	3.8	124.7	3.8	125.7	4.1	II		
125.8	3.9	126.1	4.2	126.0	4.1	127.1	4.5	III		
127.1	4.2	127.4	4.1	127.3	4.1	128.5	4.4	IV		
				128.8	5.0	129.8	4.4	I	1990	
117.4	**3.0**	**117.4**	**3.0**	**117.4**	**3.0**	**117.4**	**3.0**	**Annual**	**1987**	**Actual**
120.9	**3.0**	**120.9**	**3.0**	**120.9**	**3.0**	**121.6**	**3.5**	**Annual**	**1988**	
125.3	**3.6**	**125.5**	**3.7**	**125.4**	**3.7**	**126.4**	**4.0**	**Annual**	**1989**	
								Unemployment Rate		
	5.9%		**5.9%**		**5.9%**		**5.9%**	**IV**	**1987**	**Actual**
	5.9		6.0		5.9		6.0	I	1988	Forecast
	6.1		6.2		5.9		6.0	II		
	6.4		6.1		6.0		6.1	III		
	6.5		6.1		6.0		6.1	IV		
	6.5		6.1		5.9		6.0	I	1989	
	6.7		6.0		5.8		6.1	II		
	6.7		5.9		5.6		6.1	III		
	6.4		5.8		5.5		6.3	IV		
					5.3		6.4	I	1990	
	6.2		**6.2**		**6.2**		**6.2**	**Annual**	**1987**	**Actual**
	6.2		6.1		5.9		6.0	Annual	1988	
	6.6		5.9		5.7		6.1	Annual	1989	

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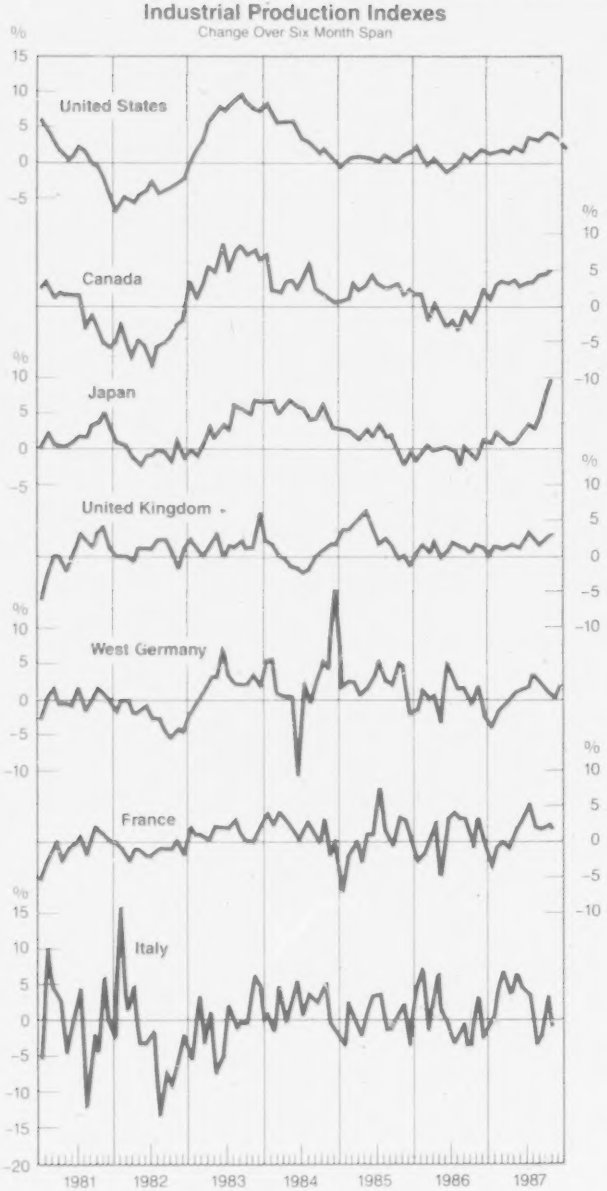
Selected International Comparisons

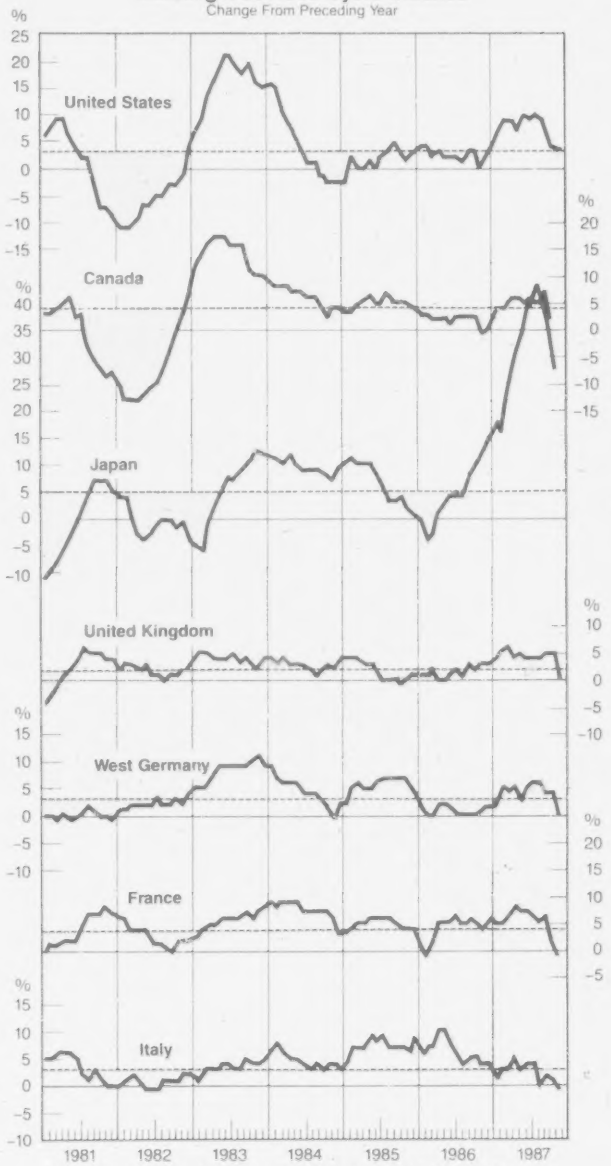
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

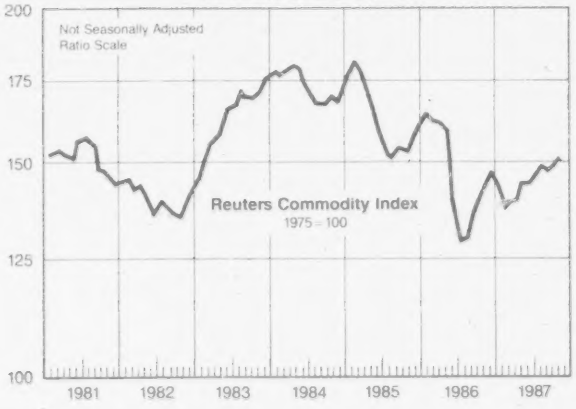
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

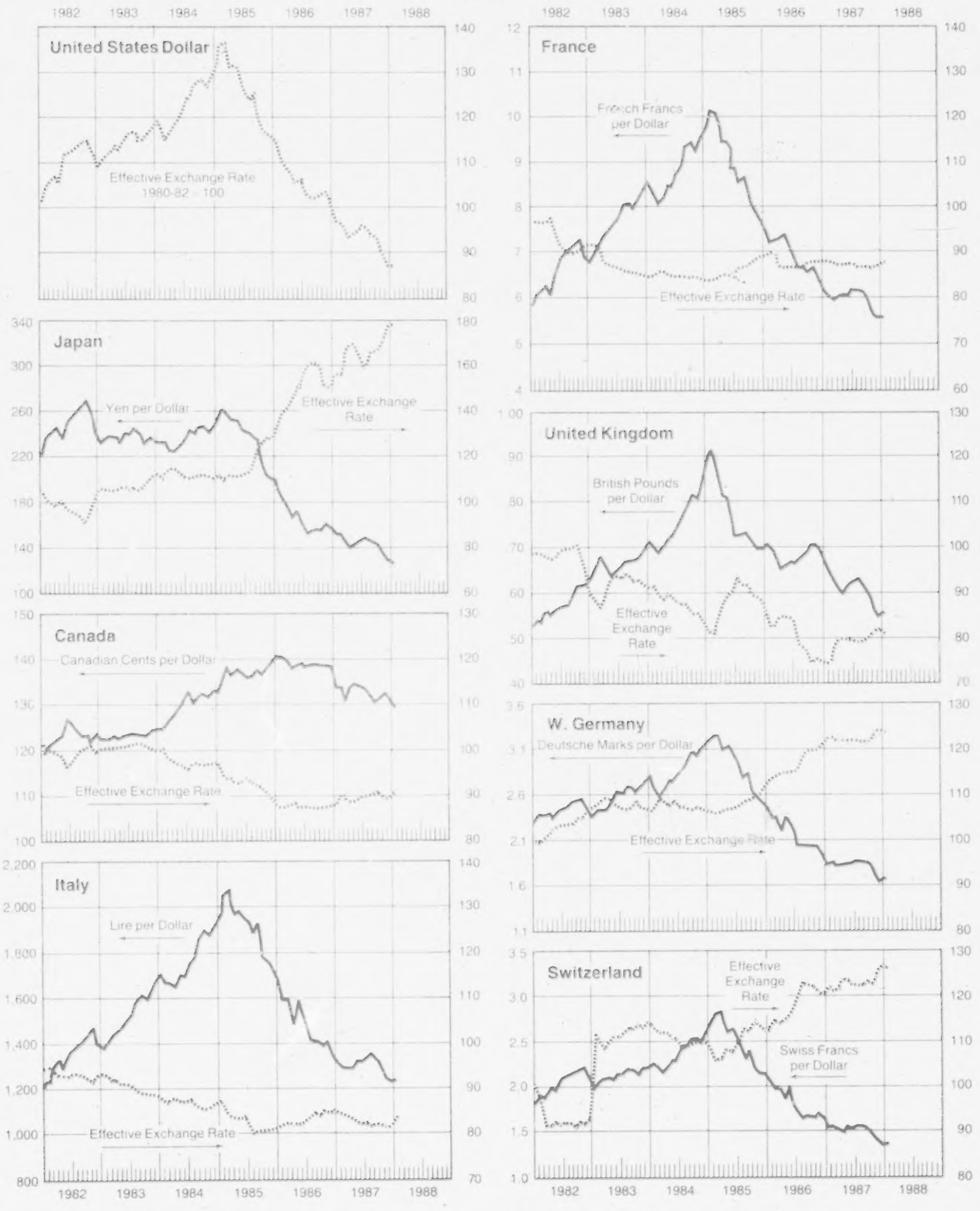
Merchandise Trade: Value of Exports

Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

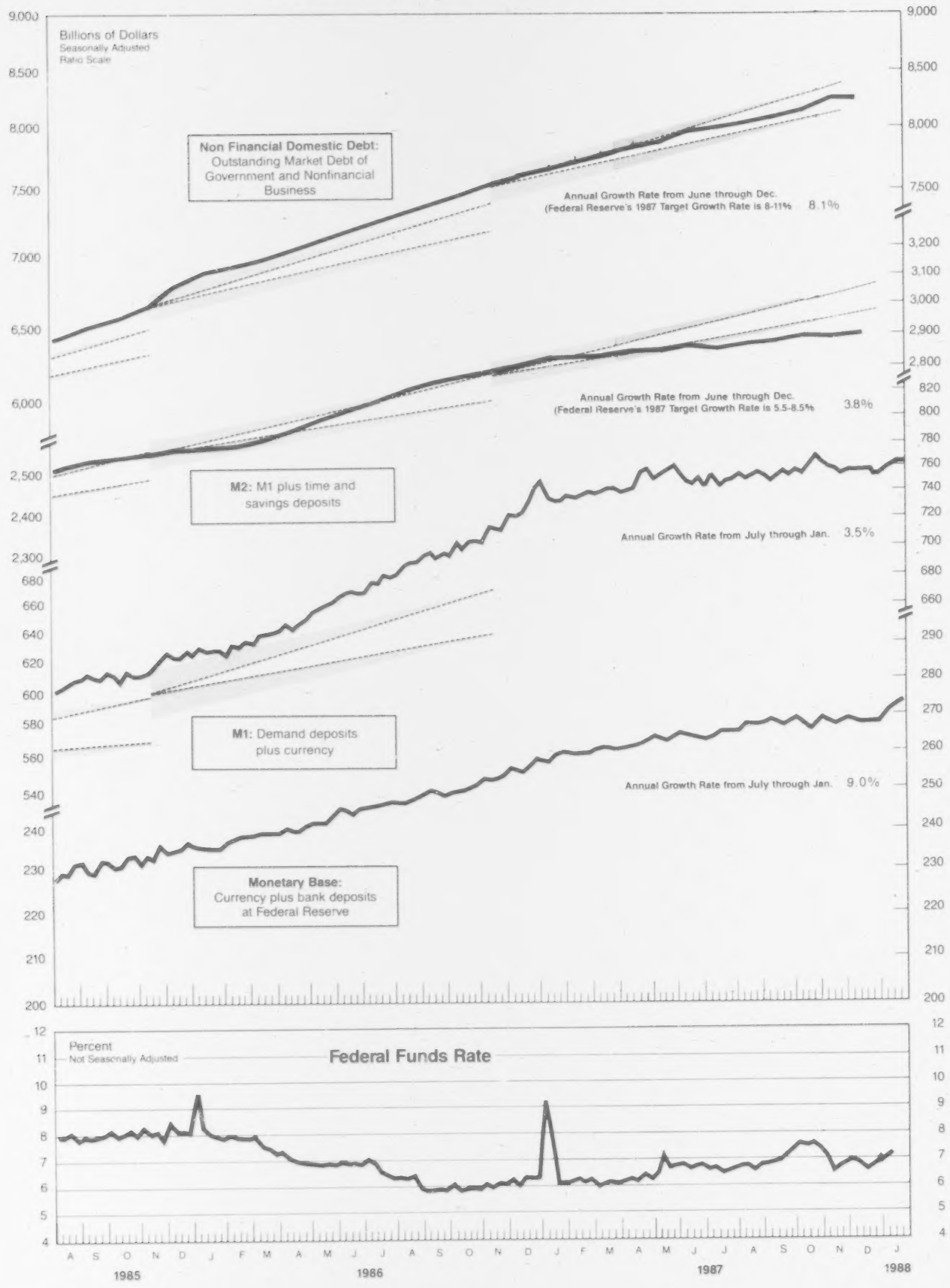
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**–220.7**	**–158.4**	**–123.3**	**–137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	– 0.7
Offsetting receipts	– 33.0	– 37.2	– 45.3	– 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from June through Dec. (Federal Reserve's 1987 Target Growth Rate is 8-11% 8.1%
Annual Growth Rate from June through Dec. (Federal Reserve's 1987 Target Growth Rate is 5.5-8.5% 3.8%
M2: M1 plus time and savings deposits
Annual Growth Rate from July through Jan. 3.5%
M1: Demand deposits plus currency
Annual Growth Rate from July through Jan. 9.0%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J
1985
1986
1987
1988

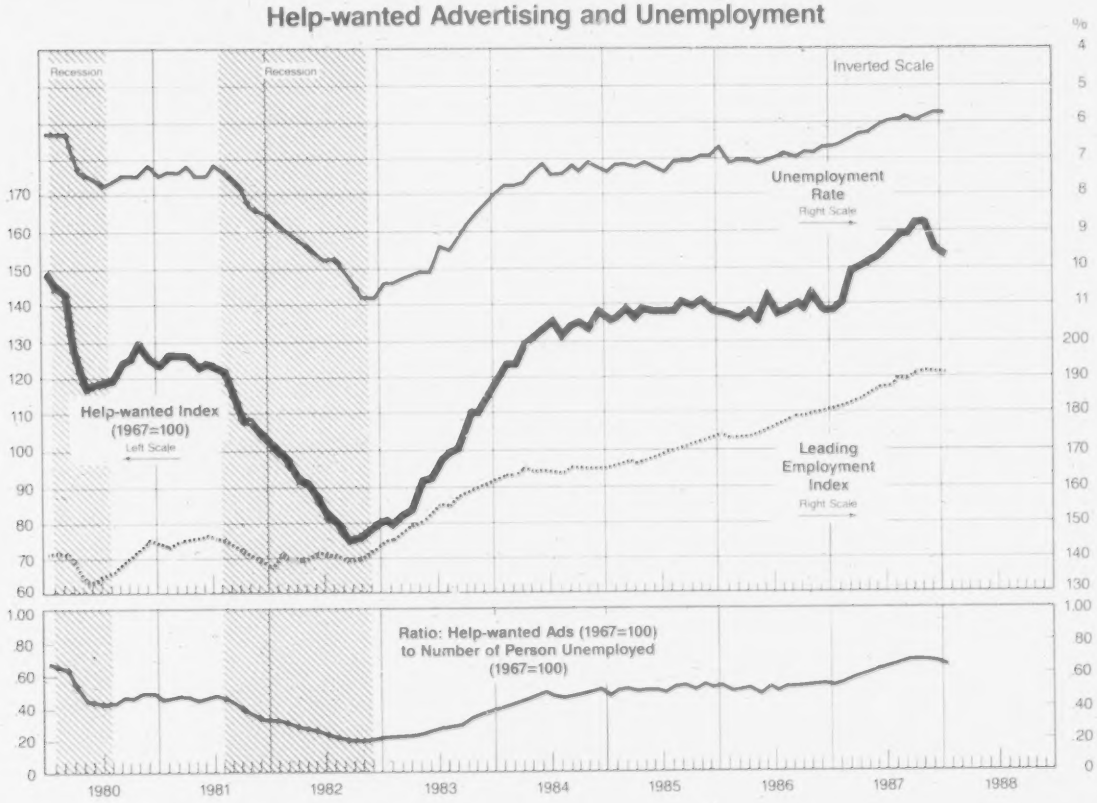
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987 Dec.	1987 Nov.	1987 Oct.	1986 Dec
National Index	155	162r	162r	138r
New England	175	182	178	162
Boston	172	182	178	162
Hartford	186	192	189	178
Providence	178	171	170	147
Middle Atlantic	89	100r	95	79
Albany	227	413	311	181
Allentown	444	390r	382	342
New York	63	66	66	58
Philadelphia	75	86	81	68
Pittsburgh	91	101	93	83
Rochester	95	98	103	86
Syracuse	143	150	152	134
East North Central	99	105	106	91
Chicago	108	115	115	102
Cincinnati	151	164	165	135
Cleveland	63	70	69	59
Columbus	171	185	185	154
Dayton	80	89	90	76
Detroit	54	59	57	53
Gary	174	174	183	143
Indianapolis	112	115	115	104
Milwaukee	93	89	101	60
Toledo	127	132	131	116
West North Central	93	105	98	93
Kansas City	142	153	141	162
Minneapolis	77	95	89	73
Omaha	136	160	146	121
St. Louis	68	71	66	64
South Atlantic	222	220	239	195
Atlanta	275	293	279	252
Baltimore	289	219	350	252
Charlotte	196	218	209	165
Jacksonville	233	228	226	222
Miami	N.A.	164r	159	94
Richmond	149	163	162	146
Washington, D.C.	191	213r	206	183
East South Central	168	178r	188r	145
Birmingham	179	174	179	153
Knoxville	301	306	297	227
Louisville	92	96r	98r	86
Memphis	136	143	150	121
Nashville	207	246	286	187
West South Central	159	175	170	152
Dallas	157	156	151	150
Houston	208	246	239	202
New Orleans	128	125	119	103
Oklahoma City	107	114	116	98
San Antonio	156	156	141	149
Tulsa	89	134	140	117
Mountain	350	336	322	286
Denver	211	210	218	184
Phoenix	475	481	450	418
Salt Lake City	446	375	342	300
Pacific	251	257r	256r	218r
Los Angeles	167	180	172	148
Sacramento	456	470	488	409
San Bernadino	300	307r	322	254
San Diego	680	616r	591r	577r
San Francisco	242	252	269	210
Seattle	233	250	246	204
Percentage of papers with rising volume	27	63r	75r	20
Unemployment rate	5.8	5.9	6	6.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7r
1988	110.9p											

Buying Plans Index

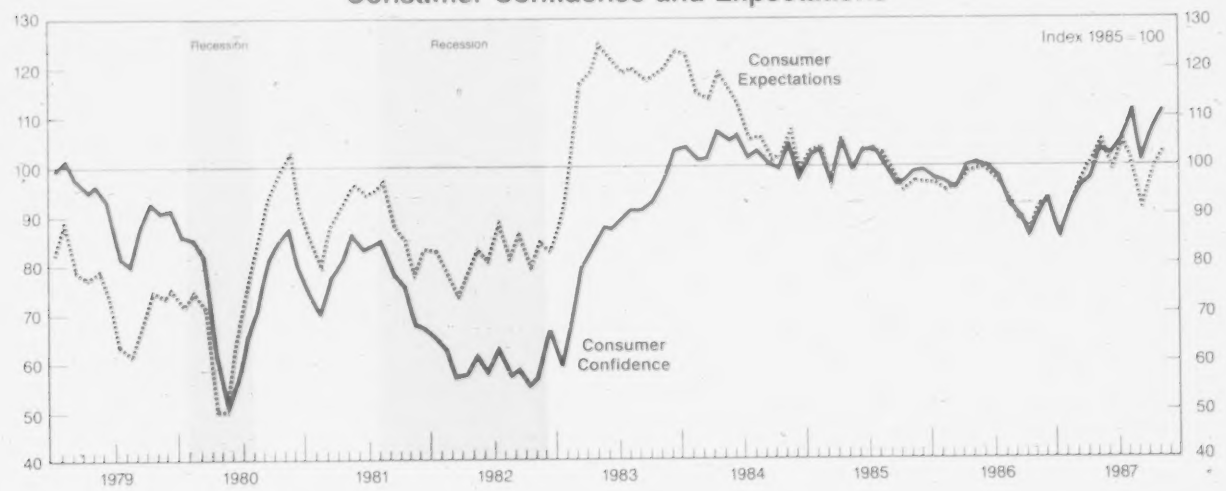
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5	100.4r
1988	96.6p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



CBDB

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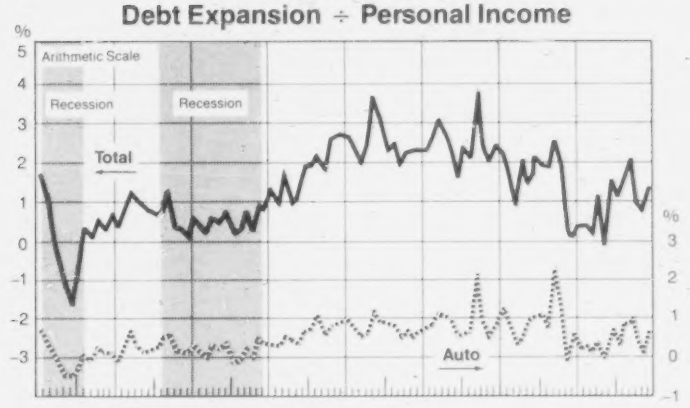
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

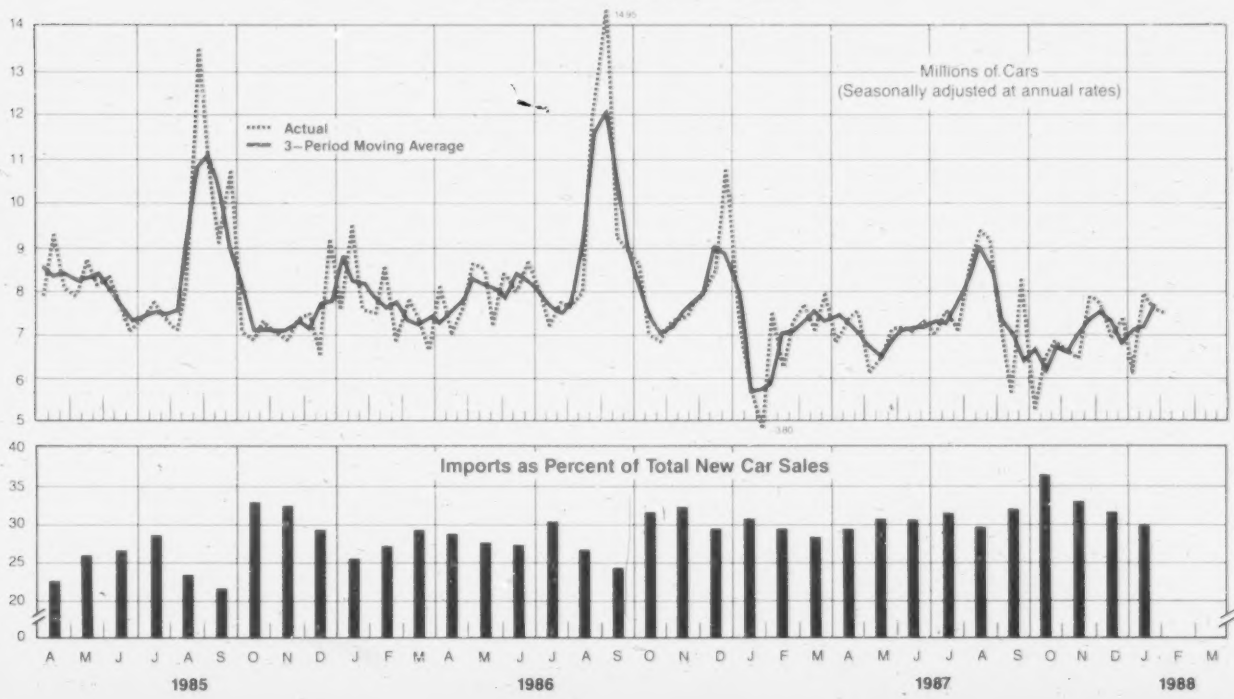
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	
	21-28(29)	9.17	6.80	7.28	
March:	1-10	8.09	7.76	7.60	
	11-20	8.90	7.37	7.08	
	21-31	8.52	6.69	7.99	
April:	1-10	7.87	8.09	6.87	
	11-20	9.24	7.07	7.35	
	21-30	8.03	7.55	7.57	
May:	1-10	7.91	8.63	6.17	
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3–Period Moving Average
Imports as Percent of Total New Car Sales
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M
1985
1986
1987
1988